

# SENATE BILL REPORT

## SB 5115

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As Reported By Senate Committee On:  
Economic Development, Trade & Management, February 20, 2007  
Ways & Means, March 5, 2007

**Title:** An act relating to expanding competitive local infrastructure financing tools projects.

**Brief Description:** Expanding competitive local infrastructure financing tools projects.

**Sponsors:** Senators Kilmer, Kastama, Kauffman, Marr, Shin, Eide, Rasmussen and Regala; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Management: 1/24/07, 2/20/07 [DPS-WM].  
Ways & Means: 3/02/07, 3/05/07 [DP2S, w/oRec].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

**Majority Report:** That Substitute Senate Bill No. 5115 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5115 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Fraser, Vice Chair, Capital Budget Chair.

**Staff:** Dianne Criswell (786-7433)

**Background:** Public infrastructure funding is accomplished in a number of different ways in the state, including through local public facilities districts, and state funding approved by the Public Works Board or the Community Economic Revitalization Board (CERB). The

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Legislature has, in recent years, examined a number of ways to increase investment in public infrastructure in the state. Tax increment financing or community redevelopment financing is a method of redistributing property tax collections within designated areas to finance infrastructure improvements within these designated areas.

In 2006, the Legislature enacted the Local Infrastructure Financing Tool (LIFT) program through which public improvement projects designed to increase private development in a prescribed area, called a revenue development area (RDA), are selected. Local governments may finance public improvements within the RDA using revenue from a new sales and use tax, credited against the state sales and use tax and matched with local resources.

**Summary of Bill:** The limit of the annual state contribution to LIFT projects in the state is increased from \$5 million to \$7.5 million.

Revenues from local public sources, used to match the state's contribution through the LIFT program to an infrastructure project, may not include funds from state grants, state loans, or other state monies.

The definition of property tax allocation revenue value, which determines the amount of local property tax to go to the local infrastructure project, is refined.

Applicants for a competitive LIFT project award may apply in calendar year 2008.

Revenue development area boundaries may not overlap one another, nor the boundaries of a hospital benefit zone.

The provision that neither local excise nor property taxes allocated under LIFT may exceed 80 percent of local funds contributed to a local infrastructure project is eliminated. If a local government does not issue bonds to finance an infrastructure project by the fifth year after the imposition of the new local sales and use tax credited against the state tax, then the proceeds of the local tax are returned to the State General Fund and the new local tax may no longer be imposed.

The Department of Revenue and CERB are given rule-making authority related to the LIFT program.

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Economic Development, Trade & Management):** The limit of the state contribution to LIFT Projects in the state is increased to \$10 million. The definitions of state and local tax allocation revenue are modified to include all taxes received in a revenue development area after its establishment if less than \$500,000 of annual taxable sales occurred within the area before its establishment. The provision that the new local sales and use tax may not be further imposed if bonds are not issued within five years of imposing the new tax is eliminated; public improvement costs may be paid on a pay-as-you-go basis. There must be evidence and findings that projects and local improvement financing will not contribute to sprawl. Applicants for a competitive LIFT Project award may apply in calendar year 2009.

**EFFECT OF CHANGES MADE BY RECOMMENDED SECOND SUBSTITUTE AS PASSED COMMITTEE (Ways & Means):** Use of pay-as-you-go monies from the local option sales and use tax to five years is limited. Local excise tax allocation revenues, local

property tax allocation revenue, local option sales, use taxes authorized in RCW 82.14.475, and other local public revenue sources may not be used for pay-as-you-go after the date that debt service payments on bonds must be paid. The definition of "local excise tax allocation revenue" is returned to one that is similar to the definition in the bill as introduced. The requirement that there be evidence and findings that projects will not contribute to sprawl is removed. Other technical changes are made.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Economic Development, Trade & Management):**

PRO: This bill will expand LIFT. The need for more infrastructure development has become apparent. LIFT projects will provide a good return on investment to the state. The legislation is a refinement of the LIFT bill passed last year. The bill allows more than one RDA per county. Under the bill, the state has to benefit as much as the locals.

**Persons Testifying (Economic Development, Trade & Management):** PRO: Marc Baldwin, Governor's Office; Ellie Chambers, City of Puyallup; Steve Burdick, City of Vancouver; Ashley Probart, Association of Washington Citites; Jim Hedrick, Spokane Chamber of Commerce; Julie Murray, Washington Association of Counties; Sharon Wylie, Kitsap and Clark Counties; Miki Gearhart, Department of Revenue; Michael Weight, City of Bothell; Tom Parker, Kendall Yard.

**Staff Summary of Public Testimony (Ways & Means):** PRO: City of Bellingham is one of the demonstration projects that launched this program. We are well underway and things are moving along well. We support the LIFT bill, as does the Association of Cities.

**Persons Testifying (Ways & Means):** PRO: Dick Little, City of Bellingham.